HAS THE STANDARD GOLD DOLLAR APPRECIATED?

THE wide understanding and general acceptance of the principle that the nominal unit of value, which we call the dollar, is not necessarily an invariable standard or measure of value, marks a very important step in the diffusion of economic ideas. If in the course of the next twelve months the market price of everything should be doubled, so that what now costs only one dollar should then cost two, and what now costs five hundred should then cost a thousand, a large majority of the intelligent community would perceive, abstractly at least, that there had been no actual change in values, but that what passes current as one dollar would be worth only half as much as it now is. They would dimly perceive the case to be similar to that of a man who, waking in the morning and picking up what he supposes to be a foot rule, should find that he was ten feet high, and that his house and all his family, when measured by this rule, had increased their linear dimensions in the same proportion. Instead of posing as a giant he would reach the very simple conclusion that his supposed foot-rule was really only six inches long. So far as intellectual conceptions go, it ought to be perfectly obvious that calling a piece of metal, or a piece of paper, one dollar, no more gives it value than calling a ruler one foot gives it length. It should be just as easy to suppose two different kinds of dollars, say a piece of silver and a piece of gold, both declared equal dollars by act of Congress, to have different actual values, as to conceive of two scales, made in different parts of the country, and both declared legal yards, having different lengths. As a matter of fact, however, the conception is not so easy when applied to any concrete case. The quality of length is evident to the senses, and the conception of this quality can be gained by simply looking at an

object. The quality called value not only evades all examination by the senses, but its very conception is so abstract and difficult that the ablest economists are not yet fully agreed as to its statement. Little wonder, then, if the typical man should feel much satisfaction at being worth twice as many dollars this year as he was last, even if the dollars themselves are worth only half as much, or feel impoverished by a great reduction of his money values, though he could still command as many of the utilities of life as he could before. But the perceptions of the typical man in this respect are gradually improving, and we may hope ere long that the necessity of an invariable dollar shall be as keenly appreciated by our public and our legislators as the necessity of an invariable yard now is.

When, however, we seek for any practicable plan to give effect to the conception in question, we are met with almost insurmountable difficulties. In the case of material objects, such qualities as length and weight remain almost invariable from day to day and from year to year. In the public market the value of nothing remains invariable. There is not even one commodity the value of which can be proven invariable. We must remember that the general agreement that the value of a certain metal, say gold or silver, shall be considered invariable, no more meets the case than would an agreement that a piece of rubber, of possibly varying length, should still be considered as always equal to one foot. No actual standard being attainable, an ideal one has to be substituted. The happy idea was conceived that "things in general," or the sum total of everything purchased in a day or a year, might be considered as having an invariable value. Thus arose the conception of a tabular standard of value, determined in the following way: Suppose that to-day we find the average price of all commodities sold in the wholesale markets. We make the same determination a year hence. During the year some prices will have risen, and others will have fallen. If the general average remained the same, the conclusion would be that the unit of value in which they were measured, say the dollar, had not changed. If the general average price had

risen, it would indicate that the unit of value had depreciated; if it had fallen, it would indicate that the unit had appreciated in value. Twenty years ago, this system of a tabular standard was supposed to afford a satisfactory solution to the problem, or at least a near approach to a satisfactory conclusion, if it could only be practically applied, and especially if we could agree as to the exact way in which the general average should be taken.

But a new source of trouble has, in the mean time, arisen. The fundamental idea on which the tabular standard was based was that human labor itself furnished the best possible standard. Find what the average man, taking the whole community through, can gain by a day's labor now, and then what he can gain by the same day's labor next year. It seems quite reasonable to assume that the real value to this average man of his day's labor is the same in the two cases, and that the dollar has appreciated or depreciated according as he can gain more or less dollars at the end of the year than he could at the beginning. In proposing the tabular standard it was supposed that the quantity of labor necessary to produce goods did not, in the general average, vary greatly from year to year. The average rate of wages, the average daily earnings of the average man, throughout the whole community, cannot be determined with either the ease or the precision that the average prices of commodities in the market can. Hence it was natural to take prices instead of wages as the average on which the standard should be based. But now it is found that these two methods will give widely different results, results differing so much, in fact, as to include the whole field of discussion between them. The constant improvements in labor-saving machinery, the division of labor, and the organization of manufacturing establishments on a large scale, which cheap transportation has rendered possible, have all contributed to the productiveness of human labor. The result is, that if we consider human labor as the standard, then the value of commodities in general has greatly diminished, while if we consider commodities as a standard we must admit that the absolute value of human labor has increased.

It is very curious that this divergence corresponds fairly well to the change in the relative values of gold and silver during the past twenty years. If we take commodities as a standard, we must reach the conclusion that silver has remained nearly invariable in value, and that gold has appreciated. Speaking approximately, and in a very general way, we may say that the quantity of silver in a dollar, or sixty cents, will now buy as much in the wholesale market as a dollar would twenty years ago. As silver has diminished in price, so have commodities in general. If we regard the actual value of commodities in general as invariable, then silver also is invariable, the apparent fall being simply a measuring of values by a higher standard. From this standpoint gold has appreciated.

If, however, we take human labor as a standard; if we admit that a day's labor of the average man is really worth to him just the same as it was to his father, then we must reach the conclusion that even the gold dollar has depreciated. Taking the community all the way through, it is easier to earn a gold dollar to-day than it was twenty-five years ago. Wages have very generally increased throughout the whole range of industry; they have at least increased in many more cases than they have diminished. Professional and personal services are decidedly higher. Remembering that our standard up to the present time is really the gold standard and not the silver standard, we may say that, adopting this mode of measuring absolute values, the nominal depreciation in the value of silver has all been real.

The problem now is, which of these two views is the soundest from the standpoint of equity. We assume this standpoint because it is that from which the arguments in favor of the silver standard profess to start. Twenty-five years ago a man loaned a certain number of gold dollars on mortgage for the benefit of his children. If the principal is paid to-day, can it be most equitably paid in gold dollars, or in silver ones worth sixty cents each in gold? If a man loans a thousand dollars to-day with the same object, is it most equitable that his children, who are to get the benefit of the debts thirty years hence, should receive

such dollars that they would purchase the same amount of human labor that a thousand dollars now will, or such that they will purchase the same amount of commodities? The advocates of the gold standard base their answer to these questions on a very simple consideration. It is conceded by both sides, or at least by the intelligence of both sides, that the fall in prices which has opened the question has been due wholly to improvements in production and transportation with which the currency has had nothing to do. Hence this cheapening should not be charged to the currency in any way. Making fair allowance for the influence of labor-saving machinery and the opening out of new sources of supply on prices, we shall find that they have really fallen less than should have been expected.

The strongest argument I have seen in favor of the contrary view was put forth by Professor Ross, of Cornell University, in a paper published in the Annals of the American Academy, toward the end of 1892. After carefully weighing all of Professor Ross's arguments, it seems to me that they did not prove his point, which was that only one thousand dollars worth of commodities, according to the present prices, should equitably be supplied, so that, if commodities in general should fall in price, the payer of the debt should reap the greater part of the advantage. The weak point of the argument seemed to me to be the omission of all considerations respecting the intent and meaning of the parties, and the manner in which a knowledge of the result would have affected the terms of the transaction. At first sight it might appear, as Professor Ross tacitly assumes, that all the creditor could reasonably have expected was that his children should receive the same amount of commodities which the money he loaned would now purchase. But the fact is here left out of consideration that the act of the creditor in loaning the money was determined by the need which his children should have for the money. Had his children not needed it at all, he probably would not have loaned it, but would have spent it in satisfying his present needs. Now the very hypothesis on which the whole argument rests is that commodities in general, for the com-

munity at large, are to become much cheaper during the thirty years that the debt remains unpaid. This is the same thing as saying that the community in general is to become richer in the same degree, that is, to stand less in need of wealth. Evidently if the man had known that his children were to be richer, and that two hundred barrels of flour would be of much less importance to them than to him, it would act as a strong incentive against making a loan, or it would lead him to demand a much higher rate of interest. One of Professor Ross's illustrations is so apt as showing both the strength and the weakness of his argument, that I may refer to it. He says, in effect, that a man who lends a mirror for one year could not reasonably expect to have two mirrors back again, if those objects had in the mean time fallen to half their value. Now this may be the case when thus stated, but to make it correspond to that of actual business we must suppose that the man who loaned the mirror purchased it for the express purpose of lending it, and takes it back again only for the purpose of selling it at the end of the year. When looked at from this point of view, the inequity of compelling him to receive only a single mirror back again, and thus get only half his money, would be obvious.

But even should we admit the arguments in question, we shall find that they do not lead so strongly as they at first seem to the supposed conclusion that the actual value of the gold dollar, as measured in commodities, has increased. Should we admit the argument, we should at once want to know what commodities? Those taken in the argument are raw materials, and manufactured articles sold at wholesale. How far this is from affording a correct standard will be seen in a moment by reflecting how much a creditor would be dissatisfied if, after a lapse of years, his debt was to be settled in such articles as pig iron, raw cotton, wheat and sheet copper. If he were told that a settlement would have to be made in commodities, he would certainly say: then let the commodities be those which my family need; let them be supplied in the state that they are needed; let them include personal services necessary to their wel-

fare as well as commodities; and let the basis be arranged on the actual cost of living and on nothing else. That this would be a more equitable arrangement than one based on wholesale prices seems to me so obvious as hardly to admit of argument.

Basing an argument on this view, it seems to me the result for the past thirty years would be in favor of the invariability of the gold rather than of the silver dollar. No housekeeper will, I believe, admit that the cost of living, measured in gold, is less now that it was twenty-five years ago. It is true that articles are cheaper just in proportion as machinery and manufacture on a large scale has made them so; but when we come to the details of housekeeping we find that these improvements have done less toward cheapening it than might at first sight be supposed. It is very curious to notice that there is generally no cheapening in those operations of production which depend on labor alone, and not on machinery. This fact emphasizes the other fact that more gold dollars have to be paid for labor now than ever before. I am ready to be corrected by statistics of retail prices if I am wrong; but speaking from my own experience it does not appear to me that the retail prices of the necessaries of life are, in the general average, much less than they were twenty-five years ago. Hides may be cheaper, but shoes made to order cost as much as they ever did. Tailor-made clothes cost more than they did. Wheat is cheaper, but I do not find that a loaf of bread is. Butter, milk, and everything that is purchased in the market, costs as much, if not more, than it did forty years ago. I am not aware of any fall in the price of beef or mutton per pound. A bale of cotton costs less, and I believe it to be true that a laundried shirt may be purchased much cheaper now than it formerly could; but this is to be attributed to the fact that, thirty years ago, the production of cotton was cut down by our civil war. The woodwork for a house has cheapened, in consequence of being largely produced by machinery; yet so small an item is this in the cost of a building that the total cost of a house has not appreciably dimin-

ished. I think, in fact, that the building of a house costs decidedly more than it did thirty years ago. The wages of domestic servants have become much higher, which shows that this useful class earns a gold dollar by much less labor than it used to. The same is true of the physician, the dentist, and almost every one on whom we call for professional services. Books which are not copyrighted, and which are produced in large quantities, are much cheaper; but I do not think the price of new copyright books has materially diminished.

Striking a general average, I think the public impression that the cost of living has constantly advanced since the times of our fathers is well founded. One of Mr. Evarts's celebrated witticisms is much to the point. Some one said that General Washington could throw a dollar across the Potomac. "Oh, yes," said Mr. Evarts, "we know very well that a dollar went farther in those days than it does now."

Altogether it seems to me that the cheapening effects of labor-saving machinery have been almost completely neutralized by the increase in the cost of every sort of professional and personal service, and in the wages of the hands through which everything must pass. But this implies, as we have already pointed out, that the people who render these services can now earn a gold dollar easier than they formerly could. Increased well-being there is; this we all admit; but it is produced by increased wages and increased incomes, and not by diminished cost of living. These wages and incomes have to be paid as well as received, and thus they tell upon the general cost of the necessaries of life. Cut them down, and let prices remain what they are now, and I do not believe any one will be better off, in consequence of any cheapening of the necessaries of life, than his father was.

My conclusion is that the doctrine so widely and industriously disseminated, that our standard gold dollar has increased in value during the past twenty years, will not stand examination, when tested by any equitable standard, and that, as a matter of fact, it has rather depreciated. If so, silver has depreciated in a still

higher ratio, so that gold and not silver should be looked upon as the equitable standard.

Of course this refers primarily to the past. But I must point out that even if my view should be wholly fallacious; if it should be proved that the silver and not the gold dollar had remained invariable in absolute value, this would not afford a sufficient argument for now going back to the silver standard of 412½ grains of silver to the dollar. The equities of the future are not determined by the standard on which debts were contracted thirty years ago, but on the standard of today. If we rehabilitate silver, every consideration of equity and sound policy demands that we rehabilitate it according to the present standard; that is to say, that we put about 700 grains into the dollar. If any one believes that silver is more likely in the future to afford a satisfactory standard than the dollar is, he should take ground in favor of this sort of a dollar as the basis for all money transactions of the future. The writer has no objections to the principles of bimetallism, if properly and correctly applied. One of the misfortunes of the monetary situation is that the logical and consistent bimetallist seems to have disappeared from the field of battle, leaving only silver monometallists and gold monometallists. Every one ought to know that the free coinage of silver on the present basis means silver monometallism. This might have been doubted three years ago, before the Sherman bill became a law, but the results of that bill prove it most conclusively. If our treasury can absorb from the silver market fifty-four million ounces annually for three years, not only without increasing the price of the metal, but without preventing its continuous depreciation to the lowest point ever reached in history, how much will it take to stop that depreciation, and raise it to a par with gold? Evidently the amount will rise to thousands of millions of dollars in a very few years. But before such a point is reached our currency would be inflated beyond all reasonable limits. Free coinage on the present ratio of 16 to 1 would at the present moment be a simple cataclysm, and it is not likely that a ratio of 20 to 1 would work much better. If the outlook

seems discouraging, the bimetallist may console himself with the thought that the time when the value of the gold dollar, as measured by human labor, will actually appreciate, still seems to be far enough distant to give time for mature reflection.

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